H. J. Heinz Company Annual Report

for the year ended April 28, 1965

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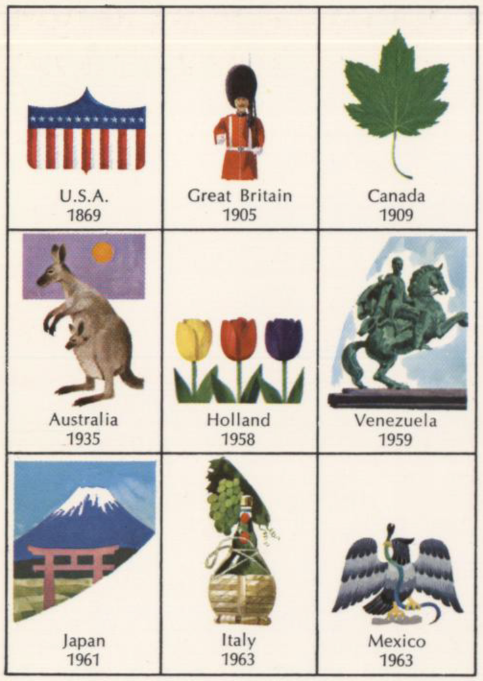

Cover: The colorful symbols on the cover of this year's Annual Report signify nine of the countries in which H. J. Heinz Company processes quality food products. Together with the words and pictures in the following pages, these symbols invite attention to the company as a leader in the international food industry.

The symbol of Star-Kist Foods, Inc., our largest domestic subsidiary, also has an international meaning. Star-Kist fishing boats range the world's oceans in search of new harvests to meet a mounting global demand for tuna. There are large Star-Kist processing plants in Peru, Puerto Rico, and American Samoa, transshipment bases along the western coast of Africa, and distribution centers in Italy for European markets.

Heinz dates its overseas business back to 1886, when its founder and namesake sold his first order to a London merchant. Through exports in the beginning, and later through the establishment or acquisition of overseas factories, the company has enlarged its world market ever since.

Today, Heinz offers *many hundreds* of its famous "57 Varieties" to overseas consumers in more than 150 countries and territories. These include not only the best known U.S. products—such as tomato ketchup or baby foods—but also numerous others that are carefully reciped to satisfy the national tastes of people in other lands.

This is why the company is a leading competitor in the world market place—and why the most famous symbol of them all is as widely known and respected as a sign of quality throughout the rest of the world as it is in the United States.

H. J. Heinz Company Annual Report

for the year ended April 28, 1965

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annual meeting

The annual meeting of the shareholders of the company will be held at 2 p.m. on Friday, September 10, 1965, at the executive offices in Pittsburgh. A formal notice of the meeting and proxy material will be sent to shareholders about August 6.

H. J. HEINZ COMPANY • P.O. BOX 57 • PITTSBURGH, PENNSYLVANIA 15230

Financial Highlights

	Fiscal year ended April 28, 1965 52 weeks	Fiscal year ended April 29, 1964 52 weeks
Net sales	$519,632,494	$488,211,364
Income before taxes	30,013,984	28,751,403
Net income for the year:	16,696,979	14,548,838
As percentage of net sales	3.2%	3.0%
Per share of common stock	2.91	2.53
As percentage of shareholders' equity	8.2%	7.5%
Dividends paid on preferred stock	1,229,020	1,157,480
Dividends paid on common stock	5,301,762	5,276,176
Per share of common stock	1.00	1.00
Shareholders' equity	204,698,822	193,687,215
Per share of common stock	36.37	34.44
Working capital at year end	140,396,410	137,563,708
Net income retained in business	10,166,197	8,115,182
Per share of common stock	1.91	1.53
Capital expenditures	18,235,368	20,508,617
Per share of common stock	3.43	3.88
Total taxes charged to income	20,503,589	19,811,855
Per share of common stock	3.86	3.75
Plant assets	157,945,767	145,551,528
Depreciation provision	9,550,344	9,179,043
Per share of common stock	1.80	1.74
Accumulated depreciation	86,934,509	79,586,502
Number of common shareholders at year end	8,156	6,983
Common shares outstanding at year end	5,314,365	5,286,296

To Our Shareholders:

Henry J. Heinz II

Frank Armour, Jr.

H. J. Heinz Company's 96th year of operations was one of achievement in the face of strong competitive challenge and changing market conditions at home and abroad.

Consolidated financial highlights on the opposite page show a 6.4 per cent increase in net sales and a 14.8 per cent increase in net income over the preceding year, both of which are new records for the company.

We recently announced an increase in the quarterly dividend on the company's common shares from 25 cents to 30 cents per share. The dividend was paid on July 10, 1965. Consecutive dividends have been paid on Heinz common shares since 1911.

The general trend in most of our major overseas markets continued toward the adaptation of American-style marketing techniques. There is a growing world-wide acceptance of convenience foods, which are marketed in larger retail outlets of the self-service type. Predictably, our overseas affiliates are responding to these changing conditions with revisions to their own methods and procedures.

All affiliated companies reported sales gains during fiscal 1965 over the previous fiscal year, despite intensified brand competition in all countries. While the competitive challenges required substantial increases in marketing expenses, we are happy to report that where competitive pressures were the most aggressive, Heinz products generally held their own against rival brands.

It is also gratifying to report gains in sales and earnings in our domestic business. Earnings for the United States and possessions during fiscal 1965 accounted for $3,588,350 or 23 per cent of the consolidated total, as compared with $2,210,816 or 15 per cent in 1964.

While these improvements have not brought our U.S. operations to their maximum earnings potential, they have reversed the unsatisfactory earnings pattern of the last few years. We believe, moreover, that these gains reflect initial results from the streamlining of management methods and procedures in all divisions, and particularly in our sales and marketing sector.

In fiscal 1965, our Heinz domestic sales force was strengthened in quality and efficiency, while being reduced in size. We improved our training programs at all levels of sales responsibility, and the company continued to upgrade educational and other qualifications for sales positions. We believe that our sales representatives are now better equipped than ever before to perform successfully in today's complex food industry.

Refinements in our Heinz domestic marketing were equally impressive and, as in sales, involved changes in manpower, in training, and in technique. Market analysis, consumer research, and product development were synthesized into a new marketing concept that reaches for increased profitability. This primary emphasis on research accelerated product development and new product testing. Market surveys established realistic and feasible volume targets for all company products and laid the groundwork for effective advertising and promotional support.

Most U.S.-Heinz products met the same kind of intensified competition as those overseas during the year. Advertising and promotion of competing tomato ketchup brands, for example, were unusually heavy. Despite this pressure, the U.S. company had the greatest sales volume and the largest one-year sales increase of tomato ketchup in its history. Competitive efforts were met with a comprehensive marketing plan which included a reduction in our selling price to achieve a more viable position with rival brands. Television and print advertising that focused consumer attention on the superiority of our product proved effective in moving off the grocer's shelves our largest ketchup pack in history.

Our domestic institutional food sales enjoyed their biggest year. Heinz is well established as a principal supplier to institutional and retail food service outlets, offering a total of 138 reciped foods, beverages, and condiments to this trade. In order to maintain the company's momentum in the institutional field, several new products are being readied for introduction into selected areas this fiscal year.

For the first time, the U.S. company began manufacture of several reciped products on a limited basis for sale under distributor-controlled labels.

The company is poised to enter yet another new food processing area—frozen foods. An agreement has been reached, subject to shareholder approval in both companies, for acquisition by Heinz of the assets of Ore-Ida Foods, Inc., Ontario,

Great Britain: New Hayes Park Administration and Research Center.

Oregon. While the major portion of Ore-Ida's business is the processing and sale of several varieties of frozen potato products, the company also processes and markets frozen corn on the cob, cut corn, mixed vegetables, onion rings and chopped onions, and produces dehydrated instant mashed potato flakes. An established leader in this rapidly expanding sector of the food processing industry, Ore-Ida, which had sales of $30,801,000 last year, will operate as a division of Heinz and present management and policies will continue.

During the year, Heinz obtained 80 per cent ownership of six Mexican food companies which were being operated by us under an interim agreement. In addition, we acquired a majority interest in a food processing company in Portugal.

Increased consumer demand brought the completion during fiscal 1965 of major additions to Heinz research, production, and administration facilities in Italy, Canada and Great Britain. Details of these and other capital improvements are presented in the pages that follow. We believe, however, that the new and strikingly modern Hayes Park Administration and Research Center in suburban London deserves special mention. Located in a rural setting, Hayes Park is an integrated facility, designed and equipped to house our experimental kitchens, organoleptic laboratory, process engineering, pilot plant, packaging laboratory, central quality control, bacteriological and nutritional research, as well as the company's executive headquarters. The new complex is winning critical acclaim from British architectural and business commentators. We believe that it is a fitting overseas counterpart to the Heinz Research Center in Pittsburgh, which was dedicated in 1958.

As a company of international scope, we are subject to many political and economic developments at home and abroad. In the United States, for example, no one can accurately estimate at this time the consequences of the failure of Congress to renew legislation permitting the seasonal employment of foreign harvest labor. Certainly there will be an effect on this year's harvest, on farm income, on industry production, and, ultimately, on the consumer's shopping bill. Early indications are that serious damage will be done in all four areas by this essentially short-sighted approach to the country's farm labor requirements.

Still, in reviewing our company's growth and its expanding capabilities—and its opportunities in the domestic and world markets—we must express optimism about the future. Heinz leadership in mechanical harvesting of farm produce and in plant breeding, our advanced manufacturing technology and quality control practice, our continuing research and product development programs, our marketing-sales-distribution techniques, our energetic acquisition program at home and abroad—all these offer a solid base for continued growth.

Finally, we would like to comment on the fine spirit that motivates Heinz men and women in their work for the company in all parts of the world. They are bringing youthful vigor to their responsibilities and, because of this, the company is more energized and imaginative today than ever before in its 96-year history.

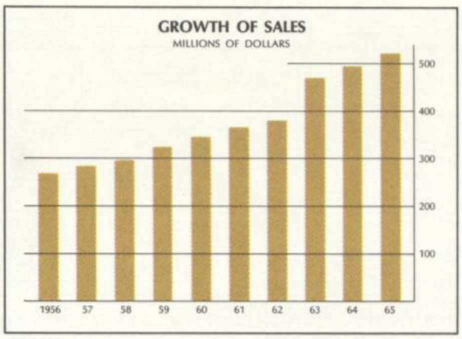
Chairman of the Board

President

Financial Review

sales

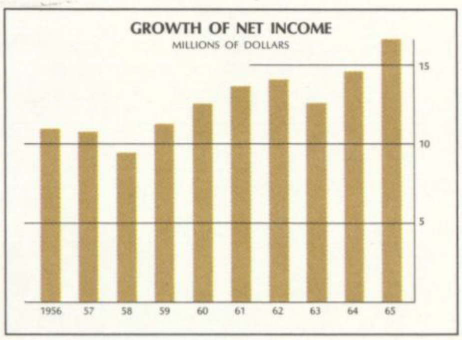
Consolidated net sales for the company's 96th year of operations amounted to $519,632,494, an increase of $31,421,130, or 6.4 per cent, over the previous record of $488,211,364 established a year earlier.



earnings

Consolidated after-tax earnings amounted to $16,696,979, an increase of $2,148,141, or 14.8 per cent, over fiscal 1964 earnings of $14,548,838, also a record high. Net earnings equaled $2.91 per common share after provision for two classes of preferred dividends, as compared with $2.53 per share earnings for the previous fiscal year. Twenty-four cents of this 38-cent increase in the per share earnings of fiscal 1965 over fiscal 1964 arose primarily from the reduction in rates of tax in the United States and a change in the tax structure in Great Britain.

Net earnings retained in the business amounted to $10,166,197, equal to $1.91 per common share.



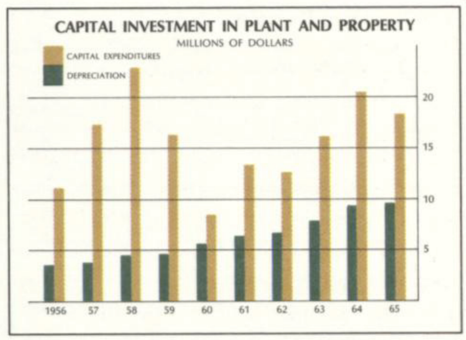
dividends

Preferred shareholders received a total of $1,229,020 in dividends during fiscal 1965, as compared with dividends of $1,157,480 a year earlier. Holders of common stock received four quarterly dividends of 25 cents each, or $1.00 per share, the same rate paid during fiscal 1964. The company has paid dividends on its common stock for 54 consecutive years.

The Heinz board of directors, meeting on June 11, 1965, voted to increase the quarterly dividend on the company's common shares from 25 to 30 cents per share for the July 10 quarterly payment.

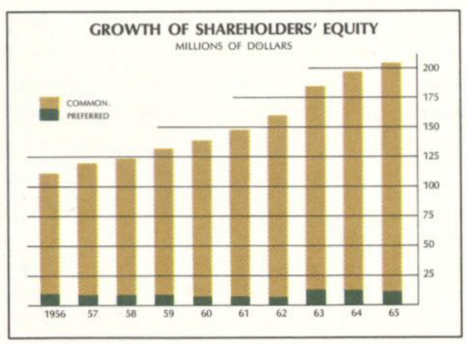
working capital

Working capital at April 28, 1965, amounted to $140,396,410, an increase of $2,832,702 over working capital of $137,563,708 reported at fiscal 1964 year end.



shareholders' equity

Shareholders' equity increased $11,011,607 to $204,698,822 from the fiscal 1964 figure of $193,687,215. Book value of each share of common stock equaled $36.37 at April 28, 1965, as compared with a book value of $34.44 reported a year earlier, based on a total of 5,314,365 common shares outstanding at fiscal 1965 year end.

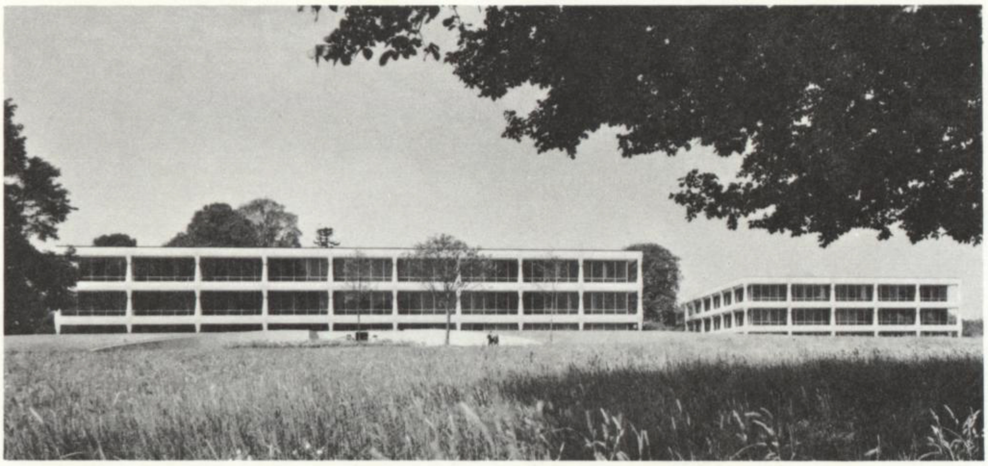


the company builds

Three major expansion programs—in Canada, in Italy, in Great Britain—were completed during fiscal 1965 in the company's world-wide capital additions program. Investment in new plants, new equipment and modernization programs during the year totaled $18,235,368.

The Canadian company dedicated a major addition to the Leamington factory on September 15, 1964, with company directors and officers joining more than 200 prominent Canadian government, civic and business leaders in colorful ceremonies. Begun in 1962, the new facility added 225,000 square feet to the approximately one million square feet of floor space in existing buildings at the 145-acre factory site. Completion of the structure marked the third and most important phase thus far in Canada's $9 million long-range development program, which saw completion of a new cold storage plant and an agricultural headquarters building during fiscal 1964. This latest addition is devoted to baby food production and houses new equipment of the most modern design.

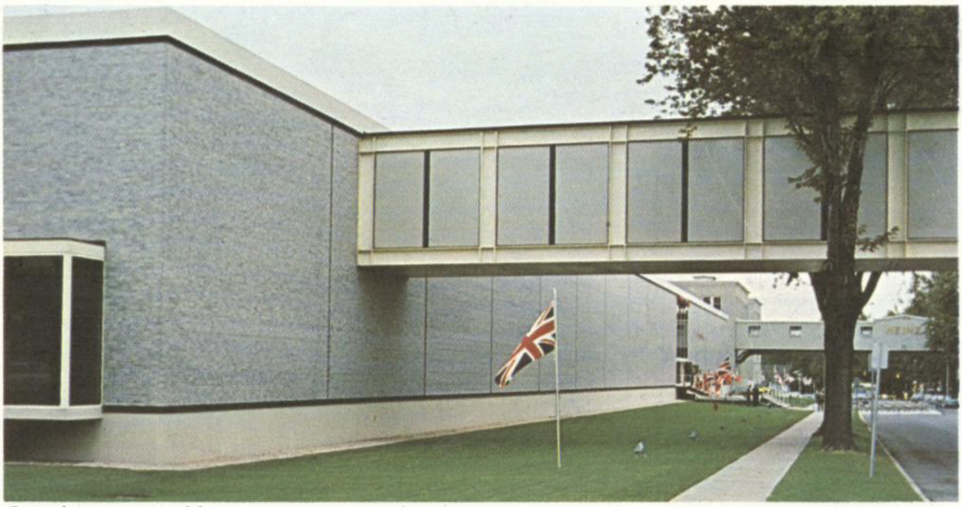
The fourth and final phase in Canada's current expansion program, now in progress, is scheduled for completion during fiscal 1966. Additional food processing and warehouse facilities are being built at a cost of $2,250,000. More than half of this amount will be spent on expanding the company's baby food and tomato processing facilities. With completion of its new 100,000 square foot warehouse addition, the company will have total storage capacity in Leamington for 100,000 tons of finished goods and total floor space of 1,350,000 square feet.



Great Britain: Hayes Park headquarters, left, and research building, right.

Societa del Plasmon, S.p.A., our Italian affiliate, completed a large-scale expansion program during the year. New buildings are now in full operation for baby food processing, warehousing, experimental kitchen work, and power generation. Production capacity at the Milan factory complex has been greatly increased for the manufacture of baby cereals, biscuits and for other baby foods. Centralization of the company's warehousing operations in a new building has permitted a general upgrading of finished goods storage and distribution techniques.

Capital expenditures by the British company during fiscal 1965 amounted to $6,778,800, approximately the same amount as was spent during the preceding fiscal year. Most of these funds went into three projects: completion of the Hayes Park Administration and Research Center; modernization of the Harlesden factory in London; and installation of a large electronic computer center at Harlesden. The Harlesden expansion and modernization, among other projects, calls for two new oil-fired boilers, construction of new engineering and can making buildings, and 200,000 square feet of additional ware-



Canada: Newest addition to Leamington factory . . .

houses additional baby food production lines.

Italy: Plasmon expansion . . .

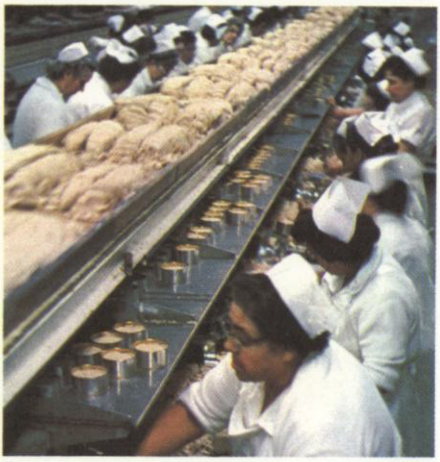
for baby biscuit production lines . . .

and baby food ingredient preparation.

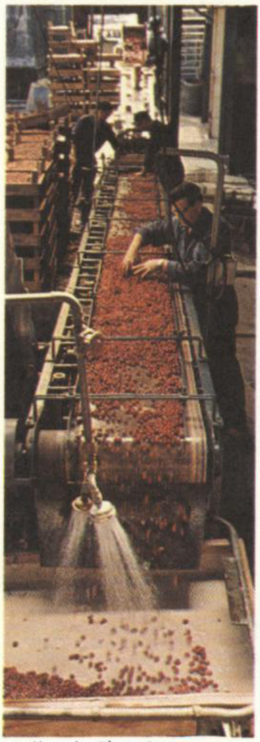
U.S.: Vegetable soup begins with choice ingredients . . .

recipe-batched . . .

then added to the kettles by skilled chefs.

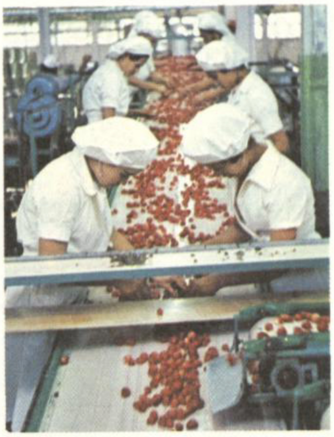


Star-Kist: From the world's oceans to tuna filling lines.



Holland: Cherries.

U.S.: Pittsburgh factory vinegar filling lines.



Mexico: Strawberry sorting.

house space. The company is enlarging its can making building at the Kitt Green factory.

Star-Kist Foods, Inc., completed three major additions to its Peruvian factories during fiscal 1965. At the Ilo factory, situated in southern Peru, we invested approximately $450,000 in equipment to double the present fish meal production capacity. Fish meal is produced in Peru from whole anchovies, and is sold primarily as a high-protein supplement for commercial cattle and poultry feeds. We also spent an equivalent sum at Ilo on new equipment for production of fish solubles, a liquid by-product of fish meal operations that was formerly discarded. Now, with the new processing equipment, the liquid is concentrated and returned to the fish meal product, a process that increases yield by 15 to 20 per cent without additional raw materials. We spent approximately $800,000 for this type of fish solubles equipment at the Coishco plant at Chimbote, Peru, increasing that facility's fish meal yield.

On April 19, 1965, we announced acquisition by the Dutch company of a 70% interest in Industrias de Alimentaceo, Limitada, (I.D.A.L.), processors of tomato paste, peeled tomatoes, and other food products. I.D.A.L. has for many years been a principal supplier of tomato paste to the British company, during which period both companies have participated in joint tomato growing programs in Portugal. The acquisition of I.D.A.L. is expected to bring an expansion of its traditional export business and, eventually, to lead to further development of reciped convenience foods for local distribution.

Alimentos Heinz in Venezuela has launched a capital improvements program that will add new, high-speed preparation, filling, pasteurization and packing equipment for its growing fruit juice and nectar operations. Filling line additions, enlargement of cold storage facilities, and a 50 per cent increase in storage facilities are planned for fiscal 1966.

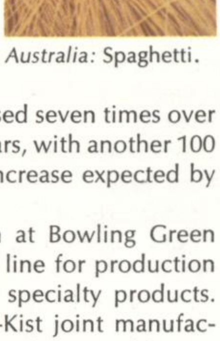
The immediate goal of management in our recently acquired Mexican affiliate—Heinz Alimentos S.A. de C.V.—is to consolidate and modernize operations of our six processing factories in that country. Emphasis in this continuing effort is being placed on immediate expansion of the most profitable production areas, particularly processing of tomatoes, strawberries and pineapples.

manufacturing improvements

A two-year modernization of kitchen facilities at the Fremont, Ohio, factory, begun in fiscal 1964, is now completed and ready for this year's packing season. Kettle cooking facilities have been replaced with semi-automatic coil cooking equipment for tomato processing. This improvement is timely; the biggest tomato products pack in history is scheduled this year at Heinz factories in Salem, New Jersey; Fremont and Bowling Green, Ohio; Muscatine, Iowa; Tracy, California; and Chambersburg, Pennsylvania.

Australia: Master control room—Dandenong.

The Pittsburgh factory is now installing additional equipment for filling individual-serve ketchup pouches that are popular with drive-ins and other fast-food establishments. Our introduction of this packaging in 1960 opened up a market that has increased seven times over during the past five years, with another 100 per cent production increase expected by 1970.



Australia: Spaghetti.

Nearing completion at Bowling Green is an additional filling line for production of "9-Lives" cat food specialty products. This initial Heinz-Star-Kist joint manufacturing program permitted successful market introduction of three new specialty

products in the "Kitty Burgers" line last year. The Pittsburgh factory can making facilities provide all necessary containers for these pet foods.

British installations of significance were a second hydrostatic sterilizer at Kitt Green for 16-ounce baked beans and an improved, faster bean-filling line. Two additional soup-filling lines and a second hydrostatic sterilizer were installed at the Harlesden plant. The automatic sterilizers accelerate production and provide space, labor and operating savings, while improving the quality of the finished product.

Australia made a significant improvement in baby food quality through adoption of the "steam injection" process, which was originally developed in the Heinz Research Center at Pittsburgh headquarters.

In Venezuela, manufacturing research was directed during the year toward handling and processing of tropical fruits, particularly passion fruit, guava, and papaya. This project has involved considerable original research in the retention of the delicate flavors of these tropical fruits. "Bingo-2," a new tropical fruit drink made from these ingredients, is finding favor with Venezuelan consumers.

Additional freezing tunnels installed in fiscal 1965 at the Heinz Alimentos factory at Salamanca, State of Guanajuato, Mexico, will result in almost a 100 per cent increase in strawberry-processing capacity. During the packing season, which extends from February to early June, the Mexican company employs approximately 1,000 workers per shift on a two-shift per day basis in its strawberry freezing operations.

Mexican pineapple processing operations are located in Los Robles, Veracruz, and at Loma Bonita, Oaxaca. Considerable progress has been made in the installation of equipment and the adoption of techniques that will materially increase the yield of sliced pineapple and pineapple juice.

marketing our product

A systematic evaluation was conducted in the principal U.S. markets to provide basic information and to achieve the most effective application of advertising and promotional funds. Intensified development, based on research findings, produced a total of 81 label and package modifications, recipe changes, and new products during the year.

Research preceded development and test market introduction of Happy Soups. These are four new varieties reciped specifically for children, who account for 40 per cent of all U.S. condensed soup consumption. Consumer studies showed that there is a strong preference among children for less spicy and slightly sweeter soup than that enjoyed by adults. After Heinz chefs developed these special recipes, marketing managers gave each the name of a favorite Disney cartoon character–Mickey Mouse Cream of Tomato, Donald Duck Vegetable, Goofy Cream of Chicken, and Pluto Chicken Noodle. To

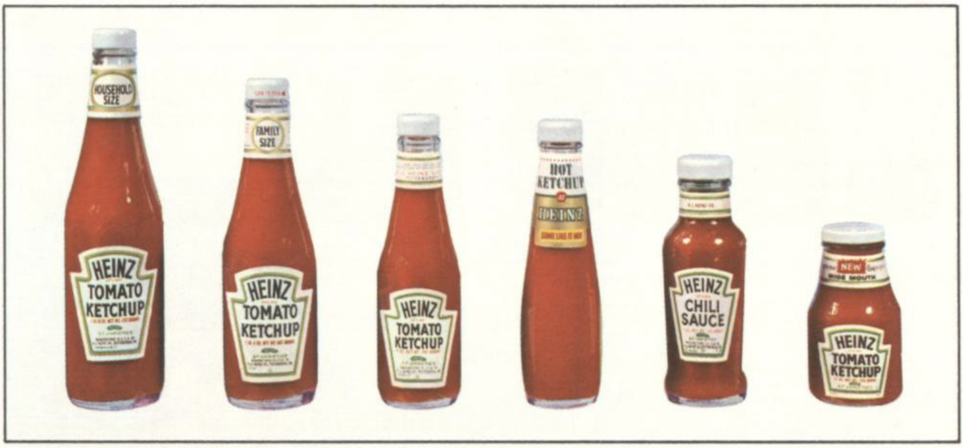
Australia: Heinz "Marching Girls" leader.

add further interest for children, they included egg noodle cutouts of these Disney characters as soup ingredients. Happy Soup labels also feature the cartoon characters and are printed with child-pleasing puzzles on the reverse side. Test market progress is being followed closely.

Another U.S. test market innovation during the year was the introduction of larger containers for popular Heinz products. For example, consumer response to a new "Household Size" ketchup bottle and two larger sizes of beans is being observed in test markets. These packaging additions are harmonious with the general market trend to larger consumer goods packages.

Heinz-U.S. introduced a 12-ounce, squat, "wide mouth" ketchup bottle into selected

Australia: Soup department—Melbourne supermarket.



U.S.: "Household," left, and "Wide-Mouth," right, join ketchup family.

Canada: Tomato products displayed under a red canopy.

U.S.: Food service ad.

Canada: Advertising on trailers . . .

and in magazines.

U.S.: From Pittsburgh home economics kitchens—new consumer recipes.

U.S.: New labels for a favorite product line.

U.S.: New children's soup in test market.

Holland: Product developers "taste test" new recipes.

Japan: Heinz in Tokyo supermarket.

U.S.: Still prized—the Heinz pickle pin.

test markets. The company has received a continuing volume of inquiries over the years from consumers who ask why ketchup cannot be spooned from a jar instead of poured from a bottle. Test market results will eventually tell us whether there really is a widespread demand for this type of packaging.

Four additional varieties of tuna packed in vegetable oil were introduced to the institutional trade under the Heinz label on a national basis during the year, bringing to nine the number of varieties in this product line. Packed for Heinz by its Star-Kist subsidiary, these products have been well received by food service customers since their initial introduction in early 1964.

Highlighting fiscal 1965 packaging developments were new label designs for our U.S. bean and pickle product lines. The traditional Heinz keystone was employed to strengthen the family identification with ketchup and vinegar packages. We feel that the appearance of both product lines has been enhanced by the new labels, and initial consumer response seems to confirm our belief.

Product innovations were matched during the year by stronger advertising performances. Our three new advertising agencies became oriented to their assignments during the year and were busily engaged at fiscal year end in the development of new advertising themes. "Ketchup race" advertising is counted a principal influence for dramatic sales gains of Heinz ketchup during the year.

The advertising-marketing strategy of Star-Kist Foods, Inc., is traditionally scheduled for full impact during the important summer, fall, and Lenten periods of heaviest tuna consumption. Star-Kist advertising and promotional planning calls for television, store promotions, and consumer incentives. Star-Kist advertised at a heavy level on national television during fiscal 1965, and is planning to follow the same policy in fiscal 1966. Successful introduction of the new "9-Lives Kitty Burgers" line of specialty cat foods took place during the year.

Intense competition in overseas markets resulted in increases in advertising and marketing budgets by all affiliated companies during the year. At the same time, affiliated company managers made market analysis the planning base for more effective advertising, promotion and development activity.

The Canadian company introduced ten new products, among which were spaghetti sauce, spaghetti sauce with beef, and spaghetti sauce with mushrooms. Successful test marketing of vinegar in plastic jugs led to adoption of 128-ounce and 160-ounce plastic container sizes for national distribution.

In Australia, there was a switch in primary emphasis from print media to television in the company's advertising, which was significantly increased. Three new salad varieties added during the year won successful consumer acceptance, and all major product lines experienced sales increases.

The Venezuela company increased marketing expenditures by almost 46 per cent. Highlight of the company's advertising and promotion during the year was a national campaign to introduce "Bingo," the tropical fruit drink. Alimentos Heinz management credits heavy radio and television advertising support for winning the new product a strong national marketing position. The company achieved substantial increases in sales of its entire product line.

In Italy, Plasmon carried out a national attitude study and other motivational research as the bases for new marketing programs. Two new products were introduced during the year—"Bi-Aglut," a new type of baby biscuit, and "Mineplasmon-Verdure," a new line of five pre-cooked soups for babies.

agriculture

The most acute problem facing growers in many sections of the United States is a shortage of reliable harvest labor. Until this year, the grower could depend on an annual migration of foreign nationals to assist in the harvesting of his crop. The failure of Congress to renew Public Law 78 has eliminated this source of experienced manpower.

We believe that the failure to renew Public Law 78 was a mistake. Widespread grower concern about the 1965 harvest has

already resulted in a reduction of the acreage planted and in major increases in the prices paid to our contract growers for raw products. Increases in the prices of both fresh and processed foods are already a reality.

Mechanical harvesting is, of course, a partial long-range answer to the farm labor problem, and the past year saw strides in the development of such equipment. Heinz has taken a leadership position from the earliest days of mechanical harvester experimentation, working closely with agricultural schools, equipment manufacturers and growers. Our effort has been two-pronged: the breeding of vines and fruit that are suited for mechanical harvesting; and at the same time the engineering development of equipment that will efficiently harvest these new plants.

Something more than 70 per cent of the company's California tomato crop will be mechanically harvested this year, and will be delivered to our Tracy factory in bulk bins. This is up from the 45 per cent last year. In addition, there will be substantial mechanical harvesting during this year's harvest of beans, cabbage, peas, corn, and other fruits and vegetables used by the company.

World-wide center for our crop research is the Heinz Research Farm at Bowling Green, Ohio, where a new research laboratory and greenhouse are scheduled to be built in fiscal 1966.

Progress was made at Bowling Green during the year in developing early firm-fruited tomato strains with good resistance to cracks and disease. Some of these strains are outstanding, combining crack-disease resistance with jointless stems and deeper red fruit color. The jointless stem is particularly important in mechanical harvesting. Other strains are being developed to resist fusarium wilt where plants are grown in low light intensity and high humidity.

Bowling Green also made excellent progress in developing dwarf cucumber hybrids that provide good fruit and vine characteristics and permit two crops per year in northern latitudes.

The U.S. company provided a unique service to its contract growers in ten states during fiscal 1965. Individual soil fertilization recommendations worked out on an electronic computer were sent to farmers who submitted soil samples for analysis to the Bowling Green experimental station. Analysis findings for a particular field are fed into the computer with such other input information as fertilization history, crop rotation practices, and desired crop goals. Accurate recommendations are printed out immediately on the computer. This is the first time that a food processing firm has developed a computer program to make specialized recommendations for a particular tract of land.

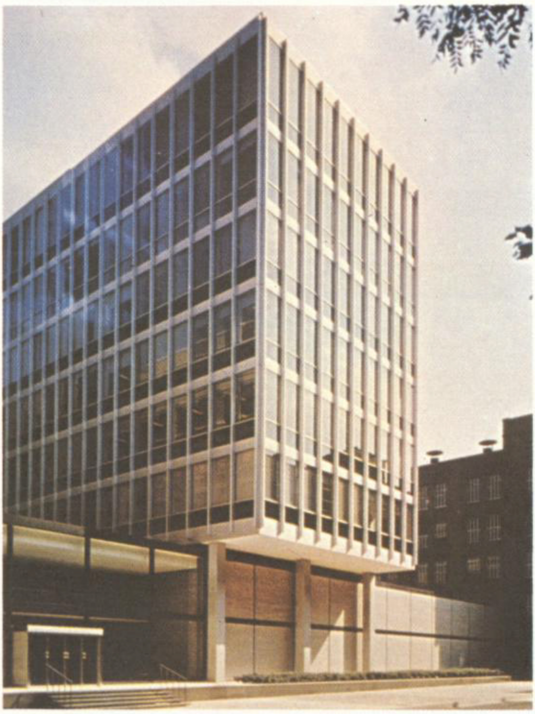
Agricultural research and development work of our affiliated companies is closely associated with the Bowling Green agricultural research program. Australian agricultural researchers, for instance, are currently engaged in a joint program with Bowling Green to develop better strains of tomatoes for Australian growers.

Australian Heinz growers achieved an average tomato yield per acre of 18 tons, as compared with 10 tons per acre eight years ago.

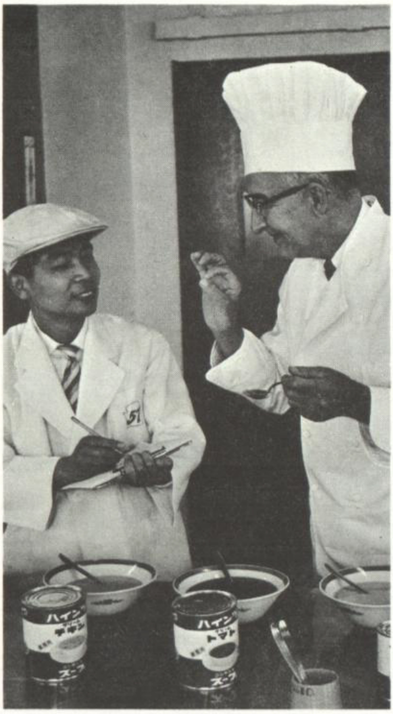
Until 1958, the Portuguese tomato was not suitable for our purposes, because it lacked the natural acidity for making good tomato products. In four short years, with the co-operation of the Portuguese Department of Agriculture and our own agricultural geneticists and agronomists working in both the U.S. and Portugal, we evolved a highly acceptable product, offering better flavor, color, and general balance. With improved growing methods and crop protection techniques, the value of the Portuguese tomato export crop has increased more than tenfold since 1958.

The new and modern Leamington Agricultural Center of the Canadian company is fully operational. The company's main research program last year was directed to experimental field plot testing for plant evaluation and improved cultural methods. There was an increase in the use of semimechanical harvesting equipment for cucumbers, and yields of Canadian-grown tomatoes and cucumbers for Heinz processing were the highest in Canada for commercial acreage.

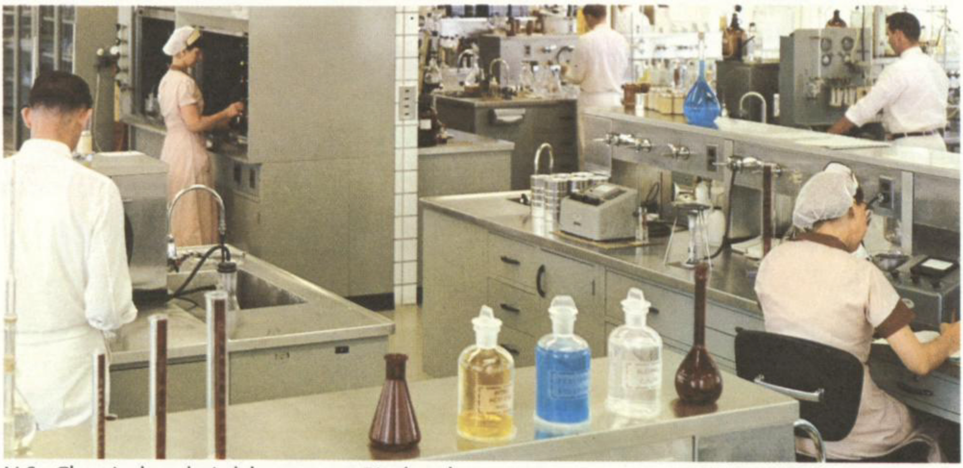
Similar increases in yield per acre have been achieved for Venezuelan Heinz



U.S.: Heinz Research Center, Pittsburgh.



Japan: Master chef approves new recipe.



U.S.: Chemical analysis laboratory at Pittsburgh.

Holland: Same tests the world over.

U.S.: Organoleptic lab tests food appeal to taste, touch, sight and smell.

Australia: Tomato field tests.

Great Britain: Beans get final check.

U.S.: Mechanical harvesting–Heinz led the way.

Everywhere: Our best friend.

growers in each successive year since Alimentos Heinz was founded. The yield per acre today is close to double that of the first tomato growing season in 1960.

There is a different type of harvest in which Heinz is interested—the harvesting of fish from the world's oceans. Last year, Star-Kist procurement agents surveyed the Philippine Islands, Australia and the U.S. Trust Territory for possible establishment of new transshipment bases from which to supply tuna factories in the United States, Puerto Rico and Samoa.

research and quality control

Focal point for the company's world-wide research and quality control program is Pittsburgh, where scientists and technicians are headquartered in the Heinz Research Center. To this building from scientific personnel in affiliated companies comes a continuous flow of research findings for confirmation, requests for testing, and production line samples for analysis. From the Research Center, headquarters scientists send out their findings and recommendations for application in overseas locations. The scope of research and quality control is all-encompassing, beginning with the seeds developed at experimental farms and ending with observation of the shelf storage performance of the finished product. In between, there is a range of functions—bacteriological research, engineering research, experimental cookery, food technology research, crop research, nutritional research, product and package development, and quality control standards—all of which contribute to our international quality reputation.

Although frequently overshadowed by more colorful sides of our corporate life, research and quality control is a matter of paramount concern at Heinz—and it has been since the day of our founding. Our research departments deal partly with totally new ideas and discoveries; partly with the improvement of existing products and systems. Every project, of course, aims at passing on some benefit to the housewife.

executive changes

Ralph W. Hunter, corporate secretary, was elected a member of the board of directors. Mr. Hunter has been with the company for 38 years.

Anthony Beresford, formerly deputy managing director of the British company, was elected managing director to succeed Joseph E. Hutchinson, who retired after 35 years of distinguished service, and who will continue as a member of the British company board of directors.

The 44-year career of John A. W. Ross closed with his retirement as chairman of the Australian company. Mr. Ross was succeeded as managing director in Australia last year by Fred V. Kellow, who formerly headed the company's marketing operations.

Harvey L. Dunker was elected president of Hachmeister, replacing A. W. Remensnyder who retired. Mr. Dunker had served as executive vice president since 1961.

P. Kenneth Shoemaker, formerly senior vice president-operations for the U.S. company, was elected to the newly-created post of senior vice president in charge of government and industry relations. Francis Y. Tiernan, formerly general manager of the U.S. company's Pittsburgh Manufacturing Region, succeeded Mr. Shoemaker as senior vice president-operations, U.S. company.

Gerald K. Warner, formerly president of Alimentos Heinz C.A., the Venezuelan company, was elected to the newly-created position of vice president-Latin America. He was succeeded in Venezuela by George O. Myers, who had been on special assignment in Mexico.

Eliot Farley, Jr., was elected treasurer in January, 1965. He previously had broad financial experience in banking and industry.

James E. Hamilton, formerly manager of grocery distributor sales for the U.S. company, was elected vice president-institutional food sales in the U.S. company.

C. Lee Rumberger, a former vice president-research and quality control in the U.S. company and president of Heinz Alimentos S.A. de C.V., our Mexican affiliate, retired on May 1, 1965. Mr. Rumberger joined Heinz in 1929.

Improved strains in the research greenhouse improve tomatoes in the field.

Summary of Changes in Working Capital

	Fiscal year ended April 28, 1965	Fiscal year ended April 29, 1964
Additions:		
Net income	$ 16,696,979	14,548,838
Net income applicable to minority interests	1,121,901	1,065,612
Charges to operations not requiring working capital:		
Depreciation	9,550,344	9,179,043
Other	1,893,642	1,570,633
Total from operations	29,262,866	26,364,126
Long-term borrowings	3,204,000	20,000,000
Common stock options exercised	1,023,986	836,073
Sale of partial interest in subsidiary	1,497,448	—
Other items, net	1,294,297	—
	36,282,597	47,200,199
Deductions:		
Additions to plant and equipment	18,235,368	20,508,617
Less Retirements and disposals	1,551,568	1,352,224
	16,683,800	19,156,393
Plant and equipment of businesses acquired	5,950,679	5,460,526
	22,634,479	24,616,919
Excess of cost over underlying net assets of food processing businesses acquired	307,543	4,137,578
Amortization of long-term debt	3,434,017	3,632,961
Cash dividends paid to:		
Company shareholders	6,530,782	6,433,656
Minority shareholders in subsidiaries	543,074	533,223
	7,073,856	6,966,879
Other items, net	—	872,491
	33,449,895	40,226,828
Increase in working capital	$ 2,832,702	6,973,371

See accompanying notes to financial statements.

H. J. Heinz Company and Consolidated Subsidiaries

Consolidated Balance Sheets

Assets

	April 28, 1965	April 29, 1964
Current assets:		
Cash and short-term investments	$ 20,897,174	26,191,958
Marketable securities (quoted market $432,923 in 1965)	500,000	500,000
Accounts and notes receivable:		
Trade, less allowance for doubtful accounts	35,558,750	32,656,094
Sundry	2,992,930	2,942,463
	38,551,680	35,598,557
Inventories—at cost or market, whichever lower:		
Finished goods	100,352,490	98,294,623
Work in process	8,038,782	6,719,792
Ingredient and packaging materials	38,409,222	37,762,397
	146,800,494	142,776,812
Prepaid insurance, supplies, taxes and sundry	5,706,447	5,322,401
Total current assets	212,455,795	210,389,728
Investments and other assets:		
Investments in and advances to unconsolidated subsidiaries and partnerships (at approximate equity)	1,944,385	3,055,160
Loans to fishermen, less allowance for losses	1,101,482	760,564
Investments in and advances to other companies—at cost	1,865,201	1,995,758
Excess of investments in consolidated subsidiaries over net assets at acquisition	4,726,250	4,418,707
Deferred expenses	1,171,103	1,832,782
Miscellaneous other assets	1,857,403	1,750,870
	12,665,824	13,813,841
Fixed assets—at cost:		
Land	6,798,997	6,464,475
Buildings and leasehold improvements, less accumulated depreciation of $22,429,956 ($20,604,629 in 1964)	72,900,947	70,322,055
Equipment, boats and fixtures, less accumulated depreciation of $64,504,553 ($58,981,873 in 1964)	77,175,660	67,639,977
Lug boxes, baskets and pallets, less amortization	1,070,163	1,125,021
	157,945,767	145,551,528
	$383,067,386	369,755,097

See accompanying notes to financial statements.

Liabilities, Capital Stock and Surplus

	April 28, 1965	April 29, 1964
Current liabilities:		
Notes payable and loans on open credit (including portion of long-term debt due within one year)	$ 14,689,885	21,803,238
Accounts payable and accrued expenses	47,108,039	37,630,871
Estimated liability for Federal and foreign income taxes	10,261,461	13,391,911
Total current liabilities	72,059,385	72,826,020
Long-term debt and other liabilities:		
Long-term notes (Note 2)	67,843,455	68,073,472
Liabilities under management profit-sharing plan, less portion payable within one year	13,027,280	12,257,905
Future foreign taxes on income	8,767,940	8,531,120
Sundry	765,914	713,752
	90,404,589	89,576,249
Reserve for possible foreign exchange losses	829,179	697,095
Minority interests	15,075,411	12,968,518
Capital stock and surplus:		
Cumulative preferred stock—authorized 161,002 shares—par value $100 per share—issuable in series: 3.65% series—authorized 61,002 shares—issued and outstanding 61,002 shares (63,250 shares in 1964) (Note 3)	6,100,200	6,325,000
Second cumulative preferred stock—authorized 399,910 shares—par value $18.50 per share—issuable in series: $3.50 first series—authorized 286,201 shares—outstanding 286,092 shares (286,281 shares in 1964) (Note 3)	5,292,702	5,296,199
Common stock—authorized 6,600,000 shares—par value $8.33⅓ per share—outstanding 5,314,365 shares (5,286,296 shares in 1964) (Note 3)	44,286,375	44,052,467
Capital surplus	5,605,463	4,765,664
Earned surplus (Note 2)	143,414,082	133,247,885
	204,698,822	193,687,215
	$383,067,386	369,755,097

Statements of Consolidated Income

	Fiscal year ended April 28, 1965 (52 weeks)	Fiscal year ended April 29, 1964 (52 weeks)
Net sales	$519,632,494	488,211,364
Cost of products sold	338,102,073	316,502,485
Gross profit	181,530,421	171,708,879
Selling, general and administrative expenses, including management profit-sharing plan of $2,618,166 ($2,259,979 in 1964)	147,936,108	139,611,026
Operating profit, after provision for depreciation of $9,550,344 ($9,179,043 in 1964)	33,594,313	32,097,853
Other income, net	900,212	969,043
	34,494,525	33,066,896
Other deductions—interest and amortization of debt discount and expense	4,480,541	4,315,493
	30,013,984	28,751,403
Provision for Federal and foreign taxes on income	12,195,104	13,136,953
	17,818,880	15,614,450
Deduct Income applicable to minority interests	1,121,901	1,065,612
Net income for the year	$ 16,696,979	14,548,838

See accompanying notes to financial statements.

Statements of Consolidated Surplus

	Fiscal year ended April 28, 1965	Fiscal year ended April 29, 1964
Capital surplus		
Amount at beginning of year	$ 4,765,664	4,125,688
Excess of par value over cost of cumulative preferred stock retired	24,583	20,852
Excess of option price over par value of 28,352 shares (30,006 shares in 1964) of common stock issued under employees' incentive stock option plan (Note 3)	787,719	586,023
Excess of redemption value over cost of preference stock retired (British subsidiary)	27,497	33,101
Amount at end of year	5,605,463	4,765,664
Earned surplus		
Amount at beginning of year	133,247,885	125,132,703
Add Net income for the year	16,696,979	14,548,838
	149,944,864	139,681,541
Deduct Dividends paid:		
On preferred stock:		
3.65% series	227,245	234,225
$3.50 series	1,001,775	923,255
	1,229,020	1,157,480
On common stock—$1.00 per share	5,301,762	5,276,176
	6,530,782	6,433,656
Amount at end of year	$143,414,082	133,247,885

See accompanying notes to financial statements.

Notes to Financial Statements

April 28, 1965

(1) Principles of consolidation:

The consolidated financial statements include the accounts of the Company and all significant domestic and foreign subsidiaries. Consolidated net assets were in companies located as follows:

	April 28, 1965	April 29, 1964
Western Hemisphere:		
United States and its possessions	$ 81,537,542	88,564,506
Other	41,462,208	31,005,361
	122,999,750	119,569,867
Eastern Hemisphere:		
British Commonwealth	67,825,589	61,650,515
Other	13,873,483	12,466,833
	81,699,072	74,117,348
	$204,698,822	193,687,215

Except for property, plant, equipment and long-term debt, assets and liabilities of the foreign subsidiaries have been converted at appropriate exchange rates prevailing at the end of the fiscal year. Foreign property, plant, equipment and long-term debt have been converted on the basis of exchange rates prevailing at the time of acquisition. The realization in U.S. dollars of assets located outside the United States is limited in certain instances by currency and other restrictions. No provision has been made for U.S. income taxes which may become payable when earnings of foreign subsidiaries are remitted as dividends since, in the case of those subsidiaries where it is contemplated that earnings will be remitted, the credit for foreign taxes on income already paid generally offsets applicable U.S. income taxes. Operating accounts (other than depreciation which was based upon the approximate equivalent dollar cost of fixed assets) were converted at average rates of exchange prevailing during the fiscal year. The net unrealized gain on foreign exchange has been credited to the reserve for possible foreign exchange losses. Of the consolidated net income for the year, $13,108,629 originated from subsidiaries located outside the United States and its possessions and the income of the Company from dividends from such subsidiaries during the year amounted to $5,031,841.

(2) Long-term notes:

Details of long-term notes at April 28, 1965 are as follows:

	Interest per cent	Maturity (fiscal year)	Portion due Non-current	Portion due Current
Company:				
Promissory notes	2.90	1966-69	$ 4,650,000	1,080,000
Promissory notes	$4\frac{1}{2}$	1970-74	17,000,000	—
Promissory notes	$4\frac{7}{8}$	1966-84	18,000,000	1,000,000
Subsidiaries:				
Promissory notes:				
(Australia)	$4\frac{1}{4}$	1966-76	7,227,309	210,545
(Canada)	$4\frac{1}{2}$	1970-74	3,000,000	—
(Mexico)	$4\frac{1}{2}$	1967-72	3,204,000	—
(Venezuela)	9	1967-72	1,822,805	—
Debentures (England)	6	1966-84	5,388,609	80,685
Debentures (England)	$5\frac{1}{2}$	1966-85	5,529,400	80,600
Installment note (domestic)	4 to 5	1966-69	1,718,750	687,500
Sundry foreign obligations	2 to 7	1966-69	302,582	219,608
			$67,843,455	3,358,938

Under note agreements, dated April 1, 1959, providing for the issue of $20,000,000 of $4\frac{7}{8}$% 25-year notes due April 1, 1984, fixed annual prepayments of principal of $1,000,000 are required. Additional prepayments may be made at the option of the Company at specified premium rates or, under specified conditions, at no premium. In addition to restrictions relating to additional indebtedness, mortgages and liens, purchase and redemption of capital stock and other restrictions, the note agreements contain provisions against the payment of dividends by the Company upon its common stock (otherwise than in its own capital stock) if such dividends, together with purchases, payments to the sinking fund and dividends in respect to presently authorized cumulative preferred stock and amounts expended by the Company or any subsidiary for purchase or other acquisitions of any class of the Company's stock, since October 29, 1958 would exceed consolidated net income after October 29, 1958 plus the sum of $7,500,000 and, further, if the sum of consolidated funded debt and consolidated discounted lease rentals would exceed fifty per cent of consolidated capital and surplus after giving effect to such dividend payments. The portion of consolidated earned surplus as of April 28, 1965 which was not thereby restricted was $58,677,461.

Under a loan agreement, dated August 1, 1963, the Company executed $4\frac{1}{2}$% promissory notes payable in annual installments of varying amounts on September 1 of each year during the five-year period ending in 1973. Prepayments may be made under specified conditions without premium. The provisions of the loan agreement impose substantially the same restrictions as those pertaining to the $4\frac{7}{8}$% 25-year notes.

The 2.90% notes, dated February 24, 1949, also contain various conditions which are less restrictive than those pertaining to the $4\frac{7}{8}$% 25-year notes.

The 6% debentures, issued by the subsidiary located in England, contain provisions requiring annual sinking fund payments approximating $76,700 plus interest. Prepayment of the entire indebtedness, or a portion thereof, may be made on January 31, 1975 with a $3\frac{1}{2}$% premium and at decreasing premium rates thereafter.

The $5\frac{1}{2}$% debentures, issued by the subsidiary located in England, contain provisions requiring annual sinking fund payments, commencing January 31, 1966, approximating $80,600 plus interest. Prepayment of the entire indebtedness, or a portion thereof, may be made on January 31, 1976 with a $3\frac{1}{2}$% premium and at decreasing premium rates thereafter.

(3) Capital stock:

The 3.65% series cumulative preferred stock is callable or redeemable through the sinking fund at $102.75 per share. A payment, not exceeding $200,000, is required to be made to the sinking fund on or before October 1 of each year.

The $3.50 series second cumulative preferred stock is convertible into common stock at any time prior to June 1, 1973 at an initial conversion rate of 100/45 shares of common stock and may be redeemed by the Company from June 1, 1968 to and including May 31, 1969 at $102.50 per share and at decreasing prices thereafter. On or before August 1, 1973, and on or before each August 1 thereafter, so long as any shares of this series are outstanding, the Company (as and for an annual sinking fund) shall retire through redemption, purchase or otherwise, shares of this series equal to 2% of the total number of shares outstanding at the close of business on June 1, 1973. Cumulative arrearages as to such retirements are permissible in the event that consolidated net income, less certain deductions, is less than the amount necessary to pay in full all requirements to retire shares of all series of the second preferred stock.

The employees' incentive stock option plan, approved by the shareholders in 1960, was amended on June 12, 1964 to meet the requirements of a qualified stock option plan under the Revenue Act of 1964. Prior to June 12, 1964, common stock options were granted at not less than 95% of fair market value at date of grant and, with certain exceptions, were exercisable to the extent of 25% thereof at the time of grant and 25% annually thereafter. Subsequent to June 12, 1964, common stock options may be granted at not less than 100% of fair market value and are, with certain exceptions, immediately exercisable in full within five years from the date of grant but no later than the expiration date of the plan, March 11, 1970. Simultaneously with the modifications indicated above, the Board of Directors reduced to 100% of the market price on June 12, 1964 the option price of certain outstanding options granted prior to January 1, 1964 at option prices substantially in excess of the market price on June 12, 1964. Accordingly, options were modified to effect a reduction in option prices from $57.95 to 36.62\frac{1}{2}$ per share applicable to 8,500 shares and from $59.38 to 36.62\frac{1}{2}$ per share applicable to 2,500 shares.

During the fiscal year, options for 13,000 shares were granted, options for 36,500 shares expired or were cancelled and options for 28,352 shares were exercised at prices varying from 27.31\frac{1}{3}$ to $45.49 per share. At April 28, 1965, 88,842 shares of common stock were subject to outstanding options at prices ranging from 27.31\frac{1}{3}$ to $57.25 per share with expiration dates at various times to March 11, 1970, and 65,000 additional shares were reserved for purposes of the plan and not subject to options.

(4) Retirement systems:

The amount charged to income by the Company and its consolidated subsidiaries for the year aggregated $2,520,000 with respect to past service and current service costs. Unfunded past service costs at April 28, 1965 amounted to approximately $2,750,000 and such costs are currently being funded over varying periods not exceeding twenty years.

(5) Other matters:

In connection with the 1963 acquisition of Star-Kist Foods, Inc., a suit has been filed against the Company and such subsidiary for a finder's fee in the amount of $1,400,000. In the opinion of management, there is no basis for such claim.

Negotiations are currently in progress for the acquisition of the net assets and the business of a frozen food processing company which, when consummated, will require the issuance of up to 111,954 shares of a new series of $3.50 preferred stock and up to 410,533 shares of common stock.

Accountants' Report

To the Shareholders, H. J. Heinz Company:

We have examined the consolidated balance sheet of H. J. Heinz Company and consolidated subsidiaries as of April 28, 1965 and the related statements of income and surplus for the fiscal year then ended. Our examination, which included all companies except certain subsidiaries (two of which are of major importance) located in the Eastern Hemisphere, was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As regards the subsidiaries located in the Eastern Hemisphere which we did not examine, the accounts of which are incorporated in the accompanying consolidated financial statements, we have been furnished with reports of other independent accountants.

In our opinion, based on our examination and on the reports of other independent accountants, the accompanying consolidated financial statements present fairly the financial position of H. J. Heinz Company and consolidated subsidiaries at April 28, 1965 and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying summary of changes in working capital presents fairly the information shown therein.

Pittsburgh, Pa.
June 25, 1965

Peat, Marwick, Mitchell + Co.

H. J. Heinz Company and Consolidated Subsidiaries

Ten-Year Financial Summary

	Net Sales	Income Before Taxes	Provision for Taxes on Income	NET INCOME Amount	NET INCOME As % of Sales	NET INCOME Per Share o[f] Common St[ock]
1956	$262,425,046	$22,158,743	$10,907,900	$10,575,808	4.0	$2.03
1957	278,852,384	21,439,089	10,356,591	10,361,818	3.7	1.99
1958	293,811,817	18,345,771	8,345,756	9,221,267	3.1	1.76
1959	316,856,669	21,967,446	10,139,971	11,010,781	3.5	2.12
1960	340,223,700	26,261,279	13,209,540	12,287,815	3.6	2.37
1961	365,989,576	29,092,171	14,683,525	13,614,681	3.7	2.62
1962	375,810,168	32,643,920	17,645,359	14,165,806	3.8	2.65
1963	464,215,226	25,700,714	12,550,516	12,364,429	2.7	2.31
1964	488,211,364	28,751,403	13,136,953	14,548,838	3.0	2.53
1965	**519,632,494**	**30,013,984**	**12,195,104**	**16,696,979**	**3.2**	**2.91**

	Current Assets	Current Liabilities	Current Ratio	Working Capital	Property Plant Equipment (net)	Depreciation Provision	Accumulate[d] Depreciatio[n]
1956	$116,798,482	$29,928,590	3.9	$86,869,892	$64,206,899	$3,324,006	$37,290,820
1957	125,810,492	41,869,712	3.0	83,940,780	76,418,918	3,735,349	39,560,256
1958	126,474,153	52,785,029	2.4	73,689,124	94,222,513	4,335,838	42,954,353
1959	132,087,694	46,366,393	2.8	85,721,301	104,629,492	4,608,328	46,546,919
1960	150,229,632	44,701,708	3.4	105,527,924	106,137,572	5,810,097	51,342,264
1961	158,894,699	44,887,915	3.5	114,006,784	111,727,306	6,275,722	56,045,151
1962	164,522,552	44,809,303	3.7	119,713,249	118,124,207	6,573,823	61,845,652
1963	196,398,764	65,808,427	3.0	130,590,337	130,826,396	7,924,808	71,716,146
1964	210,389,728	72,826,020	2.9	137,563,708	145,551,528	9,179,043	79,586,502
1965	**212,455,795**	**72,059,385**	**2.9**	**140,396,410**	**157,945,767**	**9,550,344**	**86,934,509**

As % of Shareholders' Equity	Dividends Paid on Preferred Stock	Dividends Paid on Common Stock	Per Share of Common Stock	Net Income Retained in Business	Per Share of Common Stock
9.6	$300,086	$3,040,014	$ .60	$7,235,708	$1.43
8.9	293,417	3,377,794	.66 2/3	6,690,607	1.32 1/3
7.6	282,413	3,715,573	.73 1/3	5,223,281	1.02 2/3
8.6	274,338	3,715,573	.73 1/3	7,020,870	1.38 2/3
9.0	270,265	3,715,573	.73 1/3	8,301,977	1.63 2/3
9.3	255,376	4,404,727	.86 2/3	8,954,578	1.75 1/3
8.9	237,747	5,209,292	1.00	8,718,767	1.65
6.7	237,491	5,255,880	1.00	6,871,058	1.31
7.5	1,157,480	5,276,176	1.00	8,115,182	1.53
8.2	**1,229,020**	**5,301,762**	**1.00**	**10,166,197**	**1.91**

Additions to Property Plant and Equipment	Total Assets	Shareholders' Equity	Per Share of Common Stock	Number of Shareholders		Common Shares Outstanding
				Preferred	Common	
$11,264,026	$181,894,497	$109,827,643	$20.06	577	3,257	5,066,691
17,476,115	203,243,640	116,257,419	21.38	567	3,661	5,066,691
22,982,467	221,464,648	121,141,533	22.43	545	4,516	5,066,691
16,236,413	237,707,872	128,162,403	23.81	558	4,812	5,066,691
8,296,246	257,157,640	136,258,966	25.46	547	4,827	5,066,691
13,524,175	272,224,427	145,789,279	27.27	528	5,881	5,098,580
12,849,938	285,090,713	158,996,200	29.04	515	6,401	5,251,130
16,134,932	336,281,820	184,875,803	32.92	590	6,406	5,258,130
20,508,617	369,755,097	193,687,215	34.44	568	6,983	5,286,296
18,235,368	**383,067,386**	**204,698,822**	**36.37**	**569**	**8,156**	**5,314,365**

Directors and Officers

Left to right: Mr. Bogdanovich, Mr. Ryan, Mr. Crabb, Mr. Mewhort, Mr. Allen, Mrs. Heinz, Mr. Heinz, Mr. Armour, Mr. Snyder, Mr. Gookin, Mr. Lapham, Mr. Mayer, and Mr. Hunter.

Board of Directors

Henry J. Heinz II *
Chairman

Frank Armour, Jr. *†
President

Junius F. Allen *
Executive Vice President–International

Joseph J. Bogdanovich
President, Star-Kist Foods, Inc.

Frederick G. Crabb
Vice President and Managing Director–Europe

R. Burt Gookin *†
Executive Vice President–United States

Vira I. Heinz
Civic Leader and Trustee, Howard Heinz Endowment

Ralph W. Hunter
Secretary

Lewis A. Lapham †
Chairman of the Executive Committee
Bankers Trust Company, New York, N. Y.

John A. Mayer †
President, Mellon National Bank and Trust Company, Pittsburgh, Pa.

William D. Mewhort *†
Executive Vice President–Finance

John T. Ryan, Jr.
President, Mine Safety Appliances Company
Pittsburgh, Pa.

William P. Snyder III
President, The Shenango Furnace Company
Pittsburgh, Pa.

**Member of the Executive Committee*
†Member of the Finance Committee

Corporate Officers

Henry J. Heinz II
Chairman of the Board

Frank Armour, Jr.
President

Junius F. Allen
Executive Vice President–International

R. Burt Gookin
Executive Vice President–United States

William D. Mewhort
Executive Vice President–Finance

Frederick G. Crabb
Vice President and Managing Director–Europe

Ralph W. Hunter
Secretary

Gerald K. Warner
Vice President–Latin America

P. Kenneth Shoemaker
Senior Vice President

Frank M. Brettholle †
Senior Vice President and Controller

Eliot Farley, Jr.
Treasurer

Registrars

Morgan Guaranty Trust Company of New York, New York

Pittsburgh National Bank
Pittsburgh, Pennsylvania

Transfer Agents

The First National City Bank of New York, New York

Mellon National Bank and Trust Company
Pittsburgh, Pennsylvania

Dividend Disbursing Agent

Mellon National Bank and Trust Company
Pittsburgh, Pennsylvania

The World Company

H. J. HEINZ COMPANY—The worldwide Heinz food processing organization began in 1869 in the kitchen of a little red brick farmhouse in Sharpsburg, Pennsylvania, approximately five miles up the Allegheny River from the company's present national and international headquarters on Pittsburgh's North Side. At first, there was a small truck garden, an old-fashioned kitchen, and an energetic young man named Henry J. Heinz, who believed in pure food products packaged in clear glass containers ("Why not let the public see what it pays for?" he asked.) Today, from Pittsburgh headquarters, the company he founded operates ten food processing factories in the United States—at Pittsburgh and Chambersburg, Pennsylvania; Salem, New Jersey; Winchester, Virginia; Fremont and Bowling Green, Ohio; Muscatine, Iowa; Holland, Michigan; Tracy and Isleton, California. More than 8,000 full-time employees work for Heinz-U.S. Horse-radish—the founder's first commercial product—is still on the product roster, along with hundreds of grocery and institutional food and beverage varieties. More tomato ketchup, vinegars, and pickles carrying the Heinz label are sold in the United States than any other brand. The Heinz Research Center, dedicated in 1958, is the newest addition to Pittsburgh headquarters. It houses the company's research and quality control operations and the executive offices. Heinz in the United States has expanded and diversified in recent years through acquisition of Reymer Bros. (1960), Pittsburgh, Pa., manufacturers of concentrated fruit beverages; Hachmeister, Inc., (1961), McKees Rocks, Pa., manufacturers and distributors of ingredients for the commercial baking industry; and Star-Kist Foods, Inc. (1963).

International headquarters and Pittsburgh factory.

STAR-KIST FOODS, INC.—The acquisition of Star-Kist added many new world locations to the Heinz operations map. Booming demand for tuna, pet foods, and fish derivative products has widened Star-Kist's explorations for new sources of fish procurement. Where once the waters off California and northwest South America supplied the company's requirements, Star-Kist today dispatches its fishing craft into all major world fisheries. Headquartered at Terminal Island, California, near where it was founded in 1917 and where today it operates its largest tuna and mackerel canneries, Star-Kist has added other production centers in recent years—at Ilo and Coishco, Peru; Mayaguez, Puerto Rico; and Pago Pago in American Samoa. Cold storage bases for transshipment to Star-Kist factories are maintained in Senegal, Ghana, Liberia, and the Republic of the Congo on the west African coast. The company's products are distributed on a global basis.

Star-Kist Plant Four, Terminal Island, California.

H. J. HEINZ COMPANY LTD.—Heinz products were well known in Great Britain before they were ever made there. From 1886, when the founder sold his first order of U.S.-made goods, until 1905, when he acquired a small factory in London, Britain was the American company's major export market. Today the British company is the biggest food processor of its kind in the country, employing some 8,300 people and selling approximately 200 products through sales branch offices in major population centers throughout the United Kingdom. Growth in the 1920's required construction of a large factory at Harlesden in London. In 1956, the British company built the $20 million Kitt Green

Kitt Green—one of three British factories.

factory in northern England, one of the most modern in the world. The British company also operates a factory at Standish in Lancashire, maintains export offices in London, and recently occupied its new Administration and Research Center at Hayes Park, Middlesex, near London. Heinz British-made baked beans, baby foods, soups, canned spaghetti, tomato ketchup, salad cream, and puddings hold commanding positions in United Kingdom food stores.

H. J. HEINZ COMPANY OF CANADA LTD.—The name "Heinz" and the famed "57" trademark receive instant recognition from consumers in all parts of Canada, where Heinz began its processing operations at Leamington, in the farm country of southern Ontario, in 1909. Today, Leamington is a giant food processing center—the largest in the Dominion—and Heinz of Canada operates sales branches from coast to coast. Approximately 2,000 Canadians are engaged in food processing at Leamington. The company makes and markets approximately 250 varieties, including the most complete line of strained and junior baby foods of any Heinz company in the world.

Canadian headquarters and factory, Leamington.

Top market positions are held by Heinz in Canada for its tomato ketchup, spaghetti, and baby foods.

H. J. HEINZ COMPANY AUSTRALIA LTD.—The British company began exporting to Australia in the 1920's, but it was 1935 before the parent company established its first processing operations there. Today Heinz in Australia is centered in the ultramodern Dandenong factory, near Melbourne, which was built in 1955 at a cost of $9 million. Our sales in Australia increased dramatically after 1950, when the company introduced strained and junior foods into the continent. The Australian payroll now includes approximately 1,000 full-time workers. Heinz baby foods, canned soups and baked beans hold first positions over competing brands in Australian stores. A new administration building and 64,000 square feet of additional warehousing facilities were completed at Dandenong last year.

Dandenong—"Australia's biggest food factory."

H. J. HEINZ N.V.—The 1958 acquisition of an established food processing company in Holland was a break with the traditional Heinz practice of building its overseas affiliated companies from the ground up. It also moved the company for the first time into continental Europe and into the European Common Market. The Dutch company, which employs 375, today makes and markets approximately 50 Heinz-labeled and 65 "Teo" brand products which are processed in its factory at Elst, Gelderland, Holland. It has a subsidiary sales operation in Brussels, Belgium, and this year acquired a majority interest in Industrias de Alimentaceo, Limitada, processors of tomato and other food products in Portugal. Included in the products roster at Elst are select jams and canned fruits, as well as more conventional Heinz varieties. The company exports a substantial volume of goods to West Germany.

Heinz at Elst, Gelderland, Holland.

The World Company

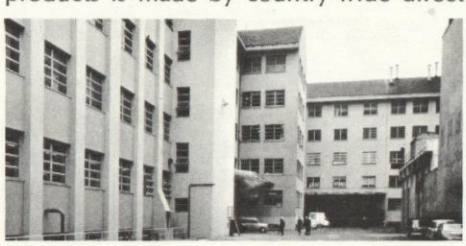
ALIMENTOS HEINZ C.A.—The company's first venture into Latin America came in 1959 with formation of a Venezuelan company and groundbreaking for a production center at San Joaquin in the State of Carabobo, approximately 100 miles west of Caracas. Originally organized, equipped and staffed by a field task force from other Heinz companies, Alimentos Heinz C.A. is today almost completely manned by Venezuelan nationals. Some 300 employees make and market a growing list of Heinz products, many of which use tropical fruits and other native ingredients. Particularly noteworthy is the achievement of Alimentos Heinz agronomists in doubling the yield per acre of tomatoes in the short period of five years. Alimentos Heinz has also carried out substantial original research and development work in the handling and processing of such tropical fruits as guava, papaya, and passion fruit.

Heinz in Venezuela—at San Joaquin.

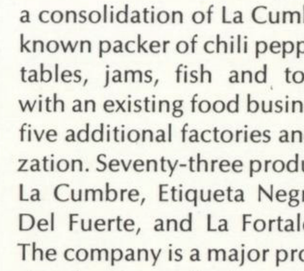
NICHIRO HEINZ COMPANY LTD.—Heinz entered Japan in 1961 with completion of a partnership agreement with the Nichiro Fisheries Company Ltd. Since that time, extensive agricultural and processing development has permitted market introduction of approximately 70 products. Nichiro Heinz manufacturing operations are located in Yokosuka City, near Tokyo, with sales and management headquarters in Tokyo.

Nichiro Heinz at Yokosuka City.

SOCIETA del PLASMON—A major addition to Heinz European operations came in May, 1963, with acquisition of this Italian affiliate, which is a leading manufacturer and marketer of baby foods, baby biscuits, and baby beverages in the Italian market. Distribution of 45 Plasmon products is made by country-wide direct sale to retail outlets. Major expansion of the Milan factory took place during the past fiscal year. Added were baby food production facilities, a new warehouse, experimental kitchens, and new power generation installations. The company employs approximately 1,000 men and women.



Section of Plasmon factory, Milan, Italy.



HEINZ ALIMENTOS S.A. de C.V. —The Mexican affiliate, chartered in 1963, is the newest Heinz company. It represents a consolidation of La Cumbre, S.A., a well-known packer of chili peppers, fruits, vegetables, jams, fish and tomato products, with an existing food business consisting of five additional factories and a sales organization. Seventy-three products carry Heinz, La Cumbre, Etiqueta Negre, Sweet Treat, Del Fuerte, and La Fortaleza trademarks. The company is a major producer of frozen strawberries and pineapple for domestic sale and for export to the United States and Canada. Company headquarters are located in Mexico City.

La Fortaleza—one of six Mexican factories.

International Management

United States

Pittsburgh, Pennsylvania

R. Burt Gookin....... Executive Vice President
Frank M. Bretthollle...... Senior Vice President and Controller
Louis A. Collier........ Senior Vice President–Marketing and Sales
Norman E. Daniels..... Senior Vice President–Administration
Francis Y. Tiernan...... Senior Vice President–Operations

James E. Hamilton........... Vice President–Institutional Food Sales
John D. Scott.... Vice President–Grocery Sales
Paul D. Townsend... Vice President–Marketing

Star-Kist Foods, Inc.
Terminal Island, California

Joseph J. Bogdanovich.............. President
Roy E. Kelley........ Vice President, Secretary and Treasurer
Robert K. Pedersen. Vice President–Operations
John J. Real.... Vice President–Administration
Jerry G. Scharer..... Vice President–Marketing

Hachmeister
McKees Rocks, Pennsylvania

Harvey L. Dunker................. President

Great Britain

H. J. Heinz Company, Ltd.
Hayes Park, Middlesex

Frederick G. Crabb........... Vice Chairman
Anthony Beresford........ Managing Director
John A. Connell.............. Marketing and Home Sales
John Eccles .... Purchasing
A. Gordon Esslemont.............. Secretary
David Fulton .... Administration
James B. Pollock.................. Treasurer
Laurence E. Sullivan.............. Operations
James A. Wilen................... Research, Development and Quality Control

Heinz International Sales, Ltd.
London, England

John U. Lamont........... Managing Director

Canada

H. J. Heinz Company of Canada Ltd.
Leamington, Ontario

Edward V. Anderson............... President
J. Ross Crerar... Vice President–Manufacturing
Paul E. Gervais...... Vice President–Marketing
Claude L. Mitchell....... Vice President–Sales
R. Glyn Nelles........ Vice President–Finance
Frank T. Sherk..................... Director
Thomas D. Smyth..... Vice President–Services

Australia

H. J. Heinz Company Australia Ltd.
Dandenong, Victoria

Fred V. Kellow........... Managing Director
Leonard S. Crowe .... Operations
Richard B. Patton................. Marketing
Desmond Robinson............. Comptroller
Ray W. Spicer..................... Products
John H. Stock .... Sales
Keith B. Wood........... Secretary-Treasurer

Holland

H. J. Heinz N. V.
Elst, Gelderland

Arnold A. Reuvekamp..... Managing Director
Jan J. M. Taminiau.................. Director

H. J. Heinz Company (Belgium) N. V.
Brussels, Belgium

Paul deVreese.............. General Manager

Industrias de Alimentaceo, Limitada
Portugal

Jorge Girault............... General Manager

Venezuela

Alimentos Heinz C. A.
Valencia, Venezuela

George O. Myers.................. President
Oscar De Latorre......... Manager–Sales and Marketing
Emilio Hoigne....... Director–Manufacturing
Oscar Ybarra......... Secretary and Treasurer
Ernesto Blohm..................... Director

Japan

Nichiro Heinz Company Ltd.
Tokyo, Japan

Takeshi Hirano .... Chairman
Gilbert H. Morris.................. President
Eizo Amemiya............ Managing Director
Albert F. Margus.......... Managing Director

Italy

Societa del Plasmon S.p.A.
Milan, Italy

Oscar A. Pio.............. Managing Director
Giampierr Borasio.......... Secretary General
Kenneth Berglund...... Director–Finance and Administration
Alberto Gatti .... Director–Production
Carlo Guffanti... Director–Marketing and Sales

Mexico

Heinz Alimentos S.A. de C.V.
Mexico City, Mexico

Gerald K. Warner................. President
Herbert L. Wallace, Jr........ General Manager
Enrique Alexanderson.... Controller, Secretary and Treasurer
Jose Del Rio.................. Sales Manager
Carlos Lopez........... Export Sales Manager
Roberto Schroeder...... Manager–Operations

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for the year ended April 28, 1965

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